

**COMBINED MEETING OF THE BOARDS OF DIRECTORS
MONTEREY DUNES COLONY ASSOCIATION
AND
MONTEREY DUNES COLONY MUTUAL WATER ASSOCIATION**

March 26, 2011

PRESENT

George Maciag, President
Bill Michaels, Vice President
Jim McFeeters, Treasurer
Jeff Schwartz, Director
Tom Bugary, Secretary and General Manager

ABSENT

Ted Swanson, Director

WELCOME

George Maciag called the meeting to order at 10:00 AM, March 26, 2011 at the Monterey Dunes Colony Clubhouse and established that there was a quorum of board members present.

MINUTES

The Board reviewed the draft minutes of the January 15, 2011 directors meeting. It was M/S/C to approve the minutes as written.

TREASURER'S REPORT

Jim McFeeters, Treasurer, gave the Treasurer's Report for January and February 2011. Jim noted that the payments to the Capital Replacement Fund of \$16,320.00 per month and \$3,750.00 per month to the Mutual Water Association were current. Jim stated that the shift from Union Bank to Mutual of Omaha, Community Association Banc (CAB) has been completed and transitioned smoothly. Additionally, Jim stated that all of our account balances could be seen in the written report, which has been attached to and made part of these minutes.

FINANCE COMMITTEE REPORT

Bob Dickinson, Finance Chair could not attend today's meeting, so Ted Swanson was going to give the report. However, Ted was snowed-in in the Truckee area, so Jim gave the Finance Committee report. Jim reported that the committee had met the previous week to review the budget proposed by management. In the final analysis, the committee decreased the "Coastal Projects" line from \$25K to \$15K because management feels that the largest expenses were absorbed in this year's budget and does not foresee other large "coastal" expenses during the year; however, Tom pointed out that this budget line reacts to many unforeseen circumstances which usually equates to dollars which could increase or decrease the bottom line. The

committee also increased the “Legal” line by \$1.5K in the event we have to outsource the annual election of directors. Although no change was made to the proposed budget for vehicle allowance, the committee recognized that there will be future adjustments to the vehicle allowances for employees using their vehicles for work due the rising cost of fuel.

The proposed operating budget for the 2011/2012 fiscal year, as presented by the Finance Committee, increases monthly homeowner dues from \$825 to \$831, a 0.7 percent increase. After discussion and comments, it was M/S/C to approve the budget as presented. George commented that given the fact that there have not been any staff pay increases over the last few years, he asked that the committee try and find savings in the budget and use those savings to fund the payroll contingency line allowing Tom to give a few merit pay increases at his discretion.

George went on to talk about an educational article written by Frank Williams for the April-June Dunescape. The article explains a little about the history of the Monterey Dunes Colony and what services and amenities are included in the monthly dues. George said that, in his opinion, the article is very well written and that Frank is uniquely qualified to write the article as he has served as a past Board member and is a current Finance Committee member. He also took part in the original design of the Colony and helped develop our boardwalk system, as did many residents back in the late 70’s. George stated that the Dunescape will be posted on our website at www.montereydunescolony.com. If a member has any feedback after reading the article, it can be passed on to Frank Williams at fbwilliams@cox.net.

SURVEY COMMITTEE

Bill Michaels, Committee Chair, reported that the committee has developed a homeowner survey and is submitting a copy to the Board for review. Once the survey is approved by the Board, a beta test will be conducted in which the survey will be sent to a small sampling of homeowners before it is sent to all owners in order to make sure that the survey is comprehensive. The survey will be conducted on-line and will utilize the service “Survey Monkey” at www.surveymonkey.com. For those homeowners who do not wish to complete the survey online, they will be allowed to fill out the survey by hand and to mail it to the office.

Bill acknowledged and thanked all the committee members: Mary Ellen Maciag, Harley McAdams, Tom Nolan, Art Testani, and Secretary, Tom Bugary.

Marty Deggeller volunteered to be a beta test participant.

AD HOC WAVE RUN-UP COMMITTEE REPORT

Tom Bugary gave a detailed report for Ted Swanson, Committee Chair, who couldn’t be at the meeting because he was snowed in up, in Truckee.

Tom started his report stating that the Committee had a short-notice request from the Coastal Commission to have our long-awaited meeting on March 17th. Ted, (committee Chair), David Shonman, (contracted Biologist) and I met with Mike Watson, Senior Planner from the Santa Cruz Coastal Commission office. Ted had specific goals he wished to accomplish during this meeting, they were:

1. Get clarification on placement of the wave run-up barriers.
2. Seek clarification of the permit process.
3. Question the CCC on the validity of the CCC's El Niño checklist posted on the CCC's website as guidance on how to prepare for winter storms.
4. Question CCC's negative email responses to earlier requests by MDCA on what we were doing, how the k-rails would be used, and how to strategically place the water filled wave run-up barriers out on the property line.

Ted also wanted to discuss with the Coastal Commission three widely accepted ways to handle coastal erosion and abate wave run-up, these are:

1. Armoring the foredunes, examples are rip rap, sheet pile, (vertical sheeting), bulk heads, or any hard repair. (Less appealing).
2. Nourishing the foredunes, examples are snow fencing to catch wind blown sand mechanically bringing in sand to plug breaches and build vertical relief in the dunes (after snowy plover nesting season), or a plan to re-vegetate areas on a reoccurring basis to stabilize the dunes.
3. Strategic Relocation, or Retreat, to relocate or move the buildings and facilities in danger from run-up or erosion, (this method was mentioned in one of the emails from the CCC to David Shonman, our consulting biologist). (This method is least appealing)

David Shonman thought that the two most important aspects of the meeting were:

1. Middle Ground: Unlike the statements in his Nov 29 email that focused on strategic relocation or retreat (referred to above), CCC's Watson clearly supported MDCA's proposals of measures to restore, rebuild and re-vegetate to help forestall erosion that could threaten houses and other facilities;
2. Cooperation: Watson clearly stated that the CCC staff will work with MDCA throughout this process. Ted, David, nor I sensed any animosity or unwillingness to help on the part of the CCC. Watson was also clear that MDCA should continue to work closely with the Monterey County Planning Department, State Parks and US Fish and Wildlife Service, but he stated that he would maintain an open channel of communication with the Colony.

Ted dissected the meeting of March 17th into 3 parts:

1. The meeting:
 - a. Dune nourishment was highly supported by Mike Watson. We discussed the problems that State Parks, PRBO, and the USFWS had with supporting snow fencing because of the possible impact it may have on the snowy plover nesting season. While the CCC would support the snow fencing option, Mike Watson felt that if the colony were to apply for a permit to mechanically replace sand down in the breached foredunes, (with a front-loader), the CCC would support that effort after the nesting season in October. He advised starting the process now because getting the permit is a lengthy process.
 - b. He also supported the water filled barrier option but was concerned about placement and possible damage the barriers would have on the vegetation. While all agreed that if the barriers had to be deployed, the area would be saturated with seawater, and basically void of inner dune life, but he remained concerned about

re-vegetating. We discussed the possibility rerouting the existing ADA boardwalk which State Parks blocked off due to nests in the area. Mike was supportive of this action and agreed that the boardwalk would be a good place to place the barriers on, rather than the sand. We will be working with State Parks on strategically rerouting the boardwalk.

- c. While the possibility of drift fencing is somewhat diminished, Ted pushed that we need to keep this option on the table as a good, long-term solution to foredune nourishment.
- d. Mike Watson encouraged the colony to pursue the emergency permit process over the long-term annual re-occurring permit. He stated that emergency permits are relatively easy to obtain with the major stipulation being the permitted entity is required to remove the structure after the emergency is over. This fits in with the colony's strategy of removing the barriers at the end of the threat so he, (Mike Watson) felt that the emergency process was by far the right venue for reacting to this type of an emergency.
- e. Ted presented the CCC Shoreline Property Preparedness Checklist for El Niño emergencies checklist to Mike Watson who validated that the document was current and in use. We then discussed how we could secure the driftwood in order to protect the houses and residents from driftwood that could become missiles in the event of heavy run-up. All agreed that strategically positioned, the barriers were the key.

2. Our Short-term response to the meeting:

- a. Send a recap of the meeting to the county coastal planners, office in Salinas, (cc all parties) to ensure that they are brought on line with the understanding between the CCC and MDCA. This recap should be clear and concise and dispel any possible misstatements in past emails or letters that would hinder the colony from moving forward with the 5-points of the meeting stated above, 1. Foredune nourishment, 2. Use of Water Barriers, 3. Pushing the Drift Fencing concept, 4. Permit Process, 5. Use of the published CCC document in preparing the colony for an event.
- b. Start the permit process now for sand replacement during off season, (October and November) Tom has 350 to 400 yards on site and possibly can acquire more from his source at the Water Resources Agency.
- c. (As a separate issue) Inform State Parks of the need to reconnect the blocked access and re-route the blocked ADA boardwalk. The CCC concurred with our strategy to place the barriers on the rerouted boardwalk during winter storms.
- d. Not to try and place the barriers out in the foredunes except under emergency permit when those "triggers" are met that constitutes a true threat to people and property.

3. Long-term planning:

- a. With this meeting and follow up clarification of positions, we now have a foundation for defining what the plan should be, and a clear understanding of what we can do, and what would not be favorably looked upon by the CCC.

GENERAL MANAGERS REPORT**Deck and Fence Replacements**

Association carpenters have completed 10 of the 15 projected replacement decks this fiscal year. Decks were replaced at units 140, 142, 144, 146, 196, 230, 232, 240, 286 and 336.

Unit courtyard fences completed all or in part since July 1, 2010, were at units 196, 202, 206, 208, 232, 296, 318, 320, and 336.

Landside Boardwalk Replacement

Landside boardwalks have been replaced near units 140, 142, 144, 146, 190, 196, 198, 200, 202, 230, 244, 248, 288, 272, 304, 306, 320 and 340. Boardwalk is replaced as necessary and at times, ahead of the current reserve schedule. Our Landside Boardwalk system is deteriorating in some places to a point where once reported, immediate replacement is required to avoid homeowner/guest accidents.

Built Up Roof Replacement Project.

Carl Black Construction completed replacing the flat roofs with associated repairs to units 222, 336 and 148. The contractor has already had to fall back and clean up trellis replacement posts (Douglas Fir) at one unit which needed to be resurfaced.

I am in the process of scheduling flat roofs at units 276, 228 and 322, for replacement in the near future.

Window and Entry Door Replacement

Association Carpenters have replaced eight entry doors this year at units 124, 136, 140, 202, 248, 252, 284, 334 and a charge-to-owner replacement at unit 220.

Bad Debt and Foreclosures

Unit 242 remains clear for bank foreclosure. Management has attempted to contact the bank to expedite any foreclosure proceedings as well as offer to work with them on finding clients to possibly purchase the unit. We continue to meet with limited success but continue to push the bank to “move” on the disposition of the property. We have also taken possession of the unit and have exclusivity on egress. We have discussed our inability to get the bank to respond with inspectors from Cen-Cal Inspect Techs, the company given the task of monitoring the unit by the lender.

After denying BOA contract maintenance personnel access to the unit, I received a call from a BOA agent with whom I discussed the bank's claim of being the owners of the property. After discussion, the banker assured me she would forward our bill of sale for the unit to their main office and that the appropriate bank official would contact me concerning the disposition of the unit. Over the next 2-weeks I worked through the different bank departments, trying to get some understanding to the bank's authority over the abandoned property. At the request of the foreclosure department, I faxed their general customer service department a copy of the bill of

sale and a cover letter advising the bank that without an understanding of the banks relationship to the property in terms of inspection rights, etc., the board feels that it is an option to rent the property in order to collect past and current dues. I am awaiting the banks reply.

The Board M/S/C that the Colony should start leasing the unit with the understanding that BOA can sell the unit and the tenant would be required to move within 60-90 days, (dependant on whether the buyer is purchasing for investment or for personal use) of notification. This understanding would be written into the lease. It was also agreed that all monies collected in leasing the property, less expenses, would be kept in an escrow account.

Emergency Notification System

I activated the MDCA Emergency Notification System (through School Messenger) at 6:45 in the morning on 3-11-11 to notify homeowners of the tsunami warning following the earthquake in Japan. Upon executing the recording and broadcasting the message, homeowners were called by the service over an hour and a half later and the recorded message didn't get delivered. The service we use is located in Santa Cruz and could not explain why the message was not transmitted. We can only assume that the system was overwhelmed with all the emergency notification activity generated by the earthquake in Japan and subsequent tsunami. After re-evaluating the value of this system to our notification needs, we have elected to change services and use a newer emergency notification system offered through our web site, managed by AtHomeNet. Once activated, the new service will notify homeowners by email and phone contact of any pending emergency. I will be distributing an information paper to homeowners on how the service will work once we get closer to making the change.

Storm Damage

Over the past week, the colony has experienced damage to buildings, components and services from downed trees, flooding and high winds. Several "series" of storms have hit the colony in typical seasonal fashion, but with increased intensity over those of previous years. On the brighter side, the ocean tides and wave swells have been minimal and ocean wave run-up has not been an issue.

Coastal Projects

From last report:

On Thursday December 2, 2010 the County Water Resources Agency, in collaboration with National Marine Fisheries Service, (NMFS), Department of Fish and Wildlife Service, (DFWS), California State Parks, (CSP) and California Department of Fish and Game, (DFG) initiated sandbar management activities at the Salinas River Lagoon. The work consisted of lowering a section of the sandbar to an elevation 5.5 feet. The goal for breaching was to minimize negative impacts to the environment, adjacent farms and other property as well as preclude the need for manual breaching operations during inclement weather. Since the lagoon shape is sinusoidal, breaking the river allowed for the system to become a "tidal lagoon". As the tide comes up water flowed into the lagoon, and as the tide decreased, water flowed out of the lagoon, thus preventing immediate evacuation, allowing for any steelhead present to adjust from fresh to salt water. This breaching action was conducted even though the California Coastal Commission denied the County Resources Agency a permit to breach the river prior to an actual emergency situation.

On Friday December 24, Ted Swanson and I met with Coastal Engineers John Kasunich and Mark Foxx and Coastal Biologist David Shonman to discuss the most recent comments from the California Coastal Commission,

(CCC), regarding our use of water filled barriers as emergency protection against wave run-up. The meeting was followed by another site visit to the southern end of the colony and a discussion on how best to place the barriers in the event of a contingency. We also discussed the CCC's opposition to our putting the barriers out on the property line and their desire for jurisdiction as to the placement of the barriers. Ted stated that the barriers fit the CCC requirements for temporary protection in the event of wave run-up and the group agreed that the recent email from Mike Watson at the CCC to David Shonman describing the barriers as "armoring" was inconsistent with published criteria on how to protect lives and property during a coastal storm. The consensus of the group was that in the event of an emergency, we should still move forward with submitting for an emergency permit, and at the same time place the barriers out on the property line to abate run-up and debris. John Kasunich stated that it looked promising that we might not need to use the barriers this year as there were no storms forecast that would be associated with high tides and surges. Both engineers, however, thought that it would be prudent to apply for an "annual" permit to place the barriers out on the property, as opposed to relying on an emergency situation to justify what we know can happen in any given winter. Both John Kasunich and Mark Foxx explained they had experiences with "conditions" the CCC can put on emergency permits and feel that they could cost the association a lot of money if they were to require an action as a condition of issuing an emergency permit. John exemplified this with saying they could require that we move a leaching field, or even require planning to eventually relocate some of our units. He felt by applying for an annual permit and going through the process, we could avoid this type of manipulation by the CCC.

On December 24, after heavy rains elevated the Salinas River, it broke straight out to the ocean, flushing the lagoon into the ocean.

At the request of Devin Best, Project Manager for NMFS, (steelhead), the colony will host a meeting of the government agencies, local landowners and interested parties at the MDCA Clubhouse on January 19th at 9:00 AM. NMFS will prepare the agenda, however, the discussion will focus on "lessons learned" from this year's river and lagoon management practices. The CCC has been invited, but according to the opinion of a couple of government sources, not likely to participate.

On 1-19-11, the colony hosted a meeting between Federal and State Government Agencies, local landowners and other interested parties at the Monterey Dunes Clubhouse. The meeting lasted for about 3 hours where the group discussed the process of a tidal lagoon, breaking the river, river management, impacts on endangered species, and ways of improving on this year's lagoon management operations.

On 3-15-11, State Parks installed the Symbolic Fencing screening off possible snowy plover nesting areas. Dave Dixon, State Parks Consultant and PRBO employee asked to reduce beach access ways by one access way due to a nesting concern. I am in the process of sending State Parks a letter asking that we reconnect the stranded access way into an adjacent access to accommodate foot and ADA traffic from the common area to the beach.

On 3-15-11, I received a call from our Coastal Biologist stating that a Coastal Commission Planner would be in or area on 3-17, and could accommodate a meeting with us at the colony. We accepted and I, David Shonman and Ted Swanson met with Mike Watson, California Coastal Commission (CCC), in the clubhouse to discuss wave run-up issues, driftwood, use of K-rails on the property line, permitting, (emergency and long-term, reoccurring annual permits) and jurisdiction for submission and approval. These topics were the subject of Ted Swanson's report today as the Chair of the Wave Run-up Committee Report so I will not be redundant, other than to document this meeting in my report.

We have suspended our attempts to gain approval for snow-fencing this year. The Symbolic Fencing (for the snowing plover) has already been installed by State Parks and they continue to show only cursory support for the test drift fencing project citing concerns over the safety of the plovers. Since all three organizations have to be in concert with the proposal and agree to the

test, it seems impossible that any consensus could be reached this year. Per a recommendation from our visit with Mike Watson from the CCC, off-season permits can be obtained to mechanically replace sand out on the beach in October and November. These permits are granted in order to rapidly “nourish” the foredune area as opposed to something long-term as in drift fencing.

MONTEREY DUNES COLONY MUTUAL WATER ASSOCIATION

Water Conservation – Oriented Billing

During the January billing period, there were 2 units that exceeded the Tier 1 conservation zone, both were under the \$5.00 billing limit and therefore not billed.

During the February billing period, there were 8 units that exceeded the Tier 1 conservation zone, 6 were under the \$5.00 billing limit, 1 was in the Tier 2 range and 1 exceeded Tier 2. Both were billed for excess water use.

Owners who exceeded Tier 1, or are in Tier 2 or 3 water use zone are billed for their usage in accordance with Association Policy. All homeowners are notified of their monthly and gallon-per-day consumption rates.

OLD BUSINESS

Unit 242, Bank Correspondence, Long Term Rental

Addressed in Managers Report

OWNER’S STATEMENTS

This agenda item allows any homeowner to make statements for record.

1. A homeowner stated concern about the symbolic fencing for the snowy plover. The area being fenced off leaves little room for human activity on the beach.

There were no other homeowner statements.

NEW BUSINESS

Approve Election Timeline

Management had prepared an election timeline, forwarded it to our attorneys for approval, and received approval as submitted. The Board M/S/C to adopt the timeline. A written copy of the timeline has been attached to, and made part of, these minutes.

It was noted that the minutes are posted on our web site as soon as they are drafted. When the minutes are eventually approved, if there were changes made it would be reflected as a correction in the posted minutes.

WATER COMPANY BUSINESS

Tom noted that our water tank will need to be replaced sooner than anticipated because steps were not taken to extend the tank's useful life from its inception (i.e. cathode protection).

ADJOURNMENT

There being no further business, the meeting was adjourned at 12:15 p.m. The next meeting of the Board will be on May 21, 2011 at 10:00 a.m.

EXECUTIVE SESSION

A homeowner request for a waiver to a late fee was discussed and the fee waived.

FOR THE BOARD OF DIRECTORS:

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Thomas J. Bugary, CMCA, CCAM
General Manager and Secretary

Treasurer's Report January and February 2011

This report covers our fiscal year budget status through February 28, 2011.

Account Balances as of January 31 and February 28, 2011 are:

	<u>Jan</u>	<u>Feb</u>
Union Bank Reserve	\$ 45.47	\$0
Comm Assoc Banc (CAB) Reserve	\$ 866,100.96	\$827,120.33
Union Bank Operating	\$ 2,096.56	\$0
CAB Operating	\$ 50,326.70	\$ 34,656.20
Community Bank Petty Cash	\$ 402.19	\$ 1,357.06
Union Bank Water Operating	\$.32	\$0
CAB Operating	\$ 23,286.96	\$ 24,226.75
CAB Water Reserve	\$ 403,809.66	\$405,295.33

Payments to the Capital Replacement Fund (\$16,320.00 per month) are current.

Payments to the Mutual Water Association (\$3,750.00 per month) are current.

Respectfully Submitted,

Jim McFeeters

Jim McFeeters, Treasurer